



Single Audit Act
June 30, 2014

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Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With Government Auditing Standards

City Council
City of Sanford
Sanford, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, its major fund, and the aggregate remaining fund information of City of Sanford, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Sanford's basic financial statements, and have issued our report thereon dated January 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Sanford's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Sanford's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: findings 2014-001, 2014-002, 2014-003, 2014-004 and 2014-005.

Macpage LLC

30 Long Creek Drive, South Portland, ME 04106-2437 | 207-774-5701 | 207-774-7835 fax | cpa@macpage.com
One Market Square, Augusta, ME 04330-4637 | 207-622-4766 | 207-622-6545 fax
One Union Street, Suite 505, Portland, ME 04101-4050 | 207-774-4030 | 866-927-0288 fax



Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Sanford's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



South Portland, Maine
January 16, 2015



Accessible
Approachable
Accountable

Independent Auditors' Report on Compliance For Each Major Federal Program and
Report on Internal Control Over Compliance and Report on the Schedule of
Expenditures of Federal Awards Required by OMB Circular A-133

City Council
City of Sanford
Sanford, Maine

Report on Compliance for Each Major Federal Program

We have audited City of Sanford's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Sanford's major federal programs for the year ended June 30, 2014. City of Sanford's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Sanford's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Sanford's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Sanford's compliance.

Opinion on Each Major Program

In our opinion, the City of Sanford complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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One Market Square, Augusta, ME 04330-4637 | 207-622-4766 | 207-622-6545 fax
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macpage.com



Report on Internal Control Over Compliance

Management of City of Sanford, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Sanford's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Sanford's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-006 and 2014-007 that we consider to be significant deficiencies.

City of Sanford's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Sanford's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, its major fund, and the aggregate remaining fund information of City of Sanford, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Sanford's basic financial statements. We issued our report thereon dated January 16, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



South Portland, Maine
January 16, 2015

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
<u>Pass-Through Search Institute</u>			
Investing in Innovation	84.411	N/A	\$ 122,709
<u>Pass-Through State of Maine Department of Education</u>			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies - CIPS	84.010	013-05A-3106-13	3,886
Title I Grants to Local Educational Agencies - Disadvantaged	84.010	013-05A-3107-13	973,222
Total Title I, Part A Cluster			<u>977,108</u>
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	013-05A-3046-12	915,908
Special Education - Preschool Grants	84.173	013-05A-6241-23	6,440
Special Education - Preschool Grants	84.173	013-05A-6247-23	18,518
Total Special Education Cluster (IDEA)			<u>940,866</u>
Improving Teacher Quality State Grants	84.367	013-05A-3042-11	137,321
Adult Education - Basic Grants to States	84.002	013-05A-6296-64	58,921
Twenty-First Century Community Learning Centers	84.287	013-05A-3356-67	99,335
Career and Technical Education -- Basic Grants to States	84.048	013-05A-3030-08	146,718
English Language Acquisition State Grants	84.365	N/A	7,261
Total Pass-Through State of Maine Department of Education			<u>2,367,530</u>
Total U.S. Department of Education			<u>2,490,239</u>
U.S. Department of Justice			
<u>Direct Programs</u>			
Public Safety Partnership and Community Policing Grants - Cops Hiring			
	16.710	N/A	35,007
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	10
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	8,939
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	2,600
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units Of Local Government	16.804	N/A	447
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units Of Local Government	16.804	N/A	3,973
Total U.S. Department of Justice			<u>50,976</u>

See accompanying independent auditor's report on schedule of expenditures of federal awards.
The accompanying notes are integral part of this schedule.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

U.S. Department of Transportation

Direct Programs:

Airport Improvement Program - Taxiways	20.106	N/A	9,377
Airport Improvement Program	20.106	N/A	19,724
Airport Improvement Program - Taxiways	20.106	N/A	<u>39,223</u>
Total U.S. Department of Transportation			<u>68,324</u>

U.S. Department of Housing and Urban Development

Passed through the Maine Department of Economic and Community

Community Development Block Grants/Entitlement Grants - Neighborhood Stabilization Program 3	14.228	N/A	283,963
Community Development Block Grants/Entitlement Grants - Gateway Grant	14.228	N/A	39,438
Community Development Block Grants/Entitlement Grants - Community Development Block Grant	14.228	N/A	77,500
Community Development Block Grants/Entitlement Grants - Workforce Development	14.228	N/A	<u>4,800</u>
Total U.S. Department of Housing and Urban Development			<u>405,701</u>

U.S. Environmental Protection Agency

Direct Programs

Performance Partnership Grants - Goodall Brook Watershed	66.605	N/A	25,307
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	66.818	N/A	245,867
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	66.818	N/A	<u>81,279</u>
Total U.S. Environmental Protection Agency			<u>352,453</u>

U.S. Department of Homeland Security

Direct Programs

Homeland Security Grant Program	97.067	N/A	<u>4,809</u>
Total U.S. Department of Homeland Security			<u>4,809</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

U.S. Department of Agriculture:

Passed through the Maine Department of Education:

Child Nutrition Cluster			
School Breakfast Program	10.553	013-05A-3014-05	249,600
National School Lunch Program	10.555	013-05A-3020-05	9,678
National School Lunch Program	10.555	013-05A-3022-05	99,972
National School Lunch Program	10.555	013-05A-3024-05	640,095
Summer Food Service Program for Children	10.559	013-05A-3016-05	55,911
Summer Food Service Program for Children	10.559	013-05A-3018-05	5,820
Summer Food Service Program for Children	10.559	013-05A-3026-05	1,570
Summer Food Service Program for Children	10.559	013-05A-3027-05	15,152
Total Child Nutrition Cluster			<u>1,077,798</u>
Food Distribution Cluster			
Commodity Supplemental Food Program	10.565	013-05A-6134-05	69,190
Total Food Distribution Cluster			<u>69,190</u>
State Administrative Expenses for Child Nutrition	10.560	013-05A-3125-05	19,995
Fresh Fruit and Vegetable Program	10.582	013-05A-3028-05	55,786
Total U.S. Department of Agriculture			<u>1,222,769</u>
Corporation for National and Community Service:			
<u>Direct Programs</u>			
Learn and Serve America Summer of Service	94.018	N/A	1,909
Total Corporation for National and Community Service			<u>1,909</u>
Total Federal Awards			<u><u>\$ 4,597,180</u></u>

See accompanying independent auditor's report on schedule of expenditures of federal awards.
The accompany notes are integral part of this schedule.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Sanford under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Sanford, it is not intended to and does not present the financial position of the governmental activities and the major fund of the City, as of June 30, 2014, and respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

NOTE 3 – PROGRAM NOTES

Commodity Supplemental Food Program (CFDA 10.565)

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities consumed. At June 30, 2014, the School Department had food commodities totaling \$ 24,379 in inventory.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Section I Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? Yes No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.553, 10.555, 10.559	School Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
66.818	Brownfields Training, Research and Technical Assistance Grants and Cooperative Agreements

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Section II Financial Statement Findings

2014-001 **Incorrect Budget**

Condition: The general fund budget within the accounting software does not agree to the approved budget articles.

Criteria: Internal controls should be in place that provide reasonable assurance that the approved budget is correctly input into the accounting software.

Cause: There are no procedures in place to require an individual to compare and agree the approved budget that is input into the accounting software.

Effect: The general fund budget within the accounting software was \$274,888 higher than the approved budget and the adult education fund, which is considered to be part of the general fund was \$506,793 lower than the approved budget. As a result of the input of incorrect budget amounts, overspending of the budget could occur which would result in noncompliance with budgetary spending limits.

Recommendation: Procedures should be implemented requiring the input of the budget within the accounting system to be reviewed and approved by a separate individual.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and will implement the recommendation. The school will have accounting support staff receive additional training from the software provider to understand the tools and reports available within the software system to ensure the budget amounts in the software match the budget amounts approved by the voters outside of the software system. Additionally, school management has recently hired a professional accountant with advanced training in internal controls to oversee the Business Department and will institute a tiered sign-off plan: Accounting Support Staff > Business Manager/CPA > Superintendent > School Committee.

2014-002 **MEDMS Uploads**

Condition: Accurate general fund budget amounts for revenues and expenditures were not uploaded to the State of Maine Department of Education MEDMS system.

Criteria: Internal controls should be in place that provide reasonable assurance that accurate budget amounts are uploaded to the MEDMS system.

Cause: There are no procedures in place to require the budget amounts to be reconciled to the approved budget documents prior to being uploaded to the MEDMS system.

Effect: The total general fund revenue amount uploaded was \$353,514 less than the actual voted budget. The total general fund expenditures amount uploaded was \$748,475 more than the actual voted budget. In addition, the revenues and expenditures uploaded for the adult education fund did not agree to the approved budget. The total adult education fund revenue amount uploaded was \$506,793 less than the actual approved budget. The total adult education fund expenditures amount uploaded was \$11,333 less than the actual approved budget.

Recommendation: Procedures should be implemented requiring the MEDMS budget to be reconciled against the approved budget documents before being uploaded to the MEDMS system.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and will implement the recommendation. The school will have accounting support staff receive additional training from the software provider to understand the tools and reports available within the software system to ensure the budget amounts in the software system match the budget amounts approved by the voters before they are uploaded to MEDMS. Additionally, school management has recently hired a professional accountant with advanced training in internal controls to oversee the Business Department and will institute a tiered sign-off plan: Accounting Support Staff > Business Manager/CPA > Superintendent > School Committee.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Section II Financial Statement Findings – Continued

2014-003 Overstated Revenue

Condition: Current year grant revenue amounts were incorrect.

Criteria: Internal controls should be in place that provides reasonable assurance that revenues will be recorded in the proper accounting period.

Cause: Accounts receivable for several of the School Department's grants were not recorded in the prior fiscal year, so when the cash receipts for these grants were received in the current fiscal year, they were improperly recognized as revenue in the current fiscal year.

Effect: The error resulted in adjusting journal entries proposed and accepted in the total amount of \$296,005.

Recommendation: To ensure that accounts receivable and revenue balances are properly recorded, we recommend that the School Department reconcile the general ledger accounts receivable balances to the grant reimbursement requests on a periodic basis and that a separate individual review these reconciliations.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and will implement the recommendation. The school has recently hired a professional accountant with advanced training in internal controls to oversee the Business Department. The accounting support staff must now present all revenue receipts to the Business Manager for signature and verification of the accounting period in which to recognize revenue before it is posted to the accounting system. Additionally, the school department has instituted a policy whereby they reconcile their record of actual revenues and expenses by fund on a monthly basis to the city's record of actual revenues and expenses by fund. This reconciliation is performed by the Business Manager/CPA and is verified by the Superintendent, as well as the Finance Director and the City Manager for the City, before it is presented to the School Committee for acceptance each month.

2014-004 Understated Accounts Payable

Condition: The accounts payable balance per the general ledger did not agree to the accounts payable balance per the subsidiary ledger.

Criteria: Internal controls should be in place that provides reasonable assurance the accounts payable balance in the general ledger reconciles to the amount in the subsidiary ledger.

Cause: There are no procedures in place to require an individual to reconcile the general ledger balance to the subsidiary ledger.

Effect: Because of the failure to reconcile the account, adjusting entries were proposed and accepted in the net amount of \$270,635 (balance sheet only entry) to correct errors in the accounts payable balance.

Recommendation: Procedures should be implemented requiring the accounts payable balance per the general ledger to be reconciled at least monthly to the accounts payable subsidiary ledger.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and will implement the recommendation. The school has recently hired a professional accountant with advanced training in internal controls to oversee the Business Department. The accounting support staff will receive additional training from the software provider to understand the reports and tools available to ensure invoices are recorded accurately that the general ledger account balance matches the total of the subsidiary accounts. The Business Manager/CPA will review and reconcile the monthly report of Accounts Payable per the general ledger to the subsidiary ledger.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

2014-005 Incorrect Beginning Balances

Condition: Audited balances are not reconciled to the School Department's accounting system (ADS) each fiscal year.

Criteria: Internal controls should be in place that provide reasonable assurance that beginning account balances agree to prior year audited balances.

Cause: There are no procedures in place to require an individual to reconcile the audited financial report to ADS once the audit is completed.

Effect: Because of the failure to require ending account balances to be reconciled to the audited financial report, the beginning account balances of the next fiscal year could be incorrect. During fiscal year 2014, adjusting entries were proposed and accepted in the amount of \$181,438 (balance sheet only entry) to correct errors in the beginning account balances.

Recommendation: Procedures should be implemented requiring the audited financial report to be reconciled to ADS at the completion of the audit.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and will implement the recommendation. The school will have accounting support staff receive additional training from the software provider to understand the tools and reports available within the software system to ensure that the year-end audit verified account balances are properly recorded in the software system. Additionally, school management has recently hired a professional accountant with advanced training in internal controls to oversee the Business Department and will institute a tiered sign-off plan: Accounting Support Staff > Business Manager/CPA > Superintendent > School Committee.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Section III Federal Award Findings

Finding 2014-006, U.S. Department of Education, for the period July 1, 2013 to June 30, 2014, CFDA # 84.010, Title I, Part A Cluster

Condition

The OMB A-87 requirements concerning payroll documentation for grant expenditures were not fulfilled.

Criteria

OMB A-87 requires that support for wages exists, and that this support is approved by a responsible official of the School Department.

Cause

Procedures for the approval of hourly employees' payroll were not consistently followed.

Effect

Lack of approval over hourly payroll could result in inappropriate amounts being charged to the federal program.

Questioned Costs

There were no questioned costs identified.

Context

A haphazard sample of 40 expenditure transactions was selected for review from a population of all payroll expense transactions in the grant program for fiscal year 2014. Eleven payroll transactions for hourly employees were not approved by a responsible official.

Recommendation

The School Department should ensure that all timesheets for hourly employees are approved by a supervisory official. While we understand that this doesn't always happen in an effort to process payroll timely, an employee should be responsible for making sure that these timesheets are approved within a reasonable amount of time after payroll is processed.

Grantee's Response

The grantee acknowledges this lapse in control and agrees to implement the recommendations to improve internal control over financial reporting.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Finding 2014-007, U.S. Department of Agriculture, for the period July 1, 2013 to June 30, 2014, CFDA #s 10.553, 10.555, 10.559, Child Nutrition Cluster

Condition

The OMB A-87 requirements concerning the documentation of grant expenditures were not fulfilled.

Criteria

OMB A-87 requires that support for wages and expenses exist, and that this support is approved by a responsible official of the School Department.

Cause

Procedures for the approval of hourly employees' payroll and expenses were not consistently followed.

Effect

Lack of approval over hourly payroll and expenses could result in inappropriate amounts being charged to the federal program.

Questioned Costs

There were no questioned costs identified.

Context

A haphazard sample of 40 expenditure transactions were selected for review from a population of all expenditure transactions in the grant program for fiscal year 2014.

Two payroll transactions for hourly employees were not approved by a responsible official. Management indicated that full time secretaries do not fill out timesheets unless they are out sick.

One expenditure transaction was not supported by an invoice and two expenditure transactions were not approved by a responsible official indicated by being included on a signed warrant.

Recommendation

The School Department should ensure that all timesheets for hourly employees are approved by a supervisory official. While we understand that this doesn't always happen in an effort to process payroll timely, an employee should be responsible for making sure that these timesheets are approved within a reasonable amount of time after payroll is processed.

The School Department should ensure that all invoices for expenses are supported by an invoice. All expenses should be approved by a responsible official indicated preferably be an initial directly on the invoice or by being included on a signed warrant.

Grantee's Response

The grantee acknowledges this lapse in control and agrees to implement the recommendations to improve internal control over financial reporting.